

# Program Responsibilities Subcommittee

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**Meetings:** 12-19-06; 1-28-07; 2-26-07

***Charge:** This subcommittee was charged with examining the division of responsibility between state and local government for providing services including but not limited to health care services and Medicaid, social services, law enforcement services, education services and elections and recommend any necessary changes in those responsibilities.*

## Issues

- State and County Responsibilities for Medicaid
- Timeline for state takeover of Medicaid
- Cost saving measures for Medicaid
- The effect of Medicaid changes on access
- K12 and Community College Funding
- Alignment of revenues and responsibilities

## Speakers

Carol Shaw – provided an extensive overview of Medicaid funding and Disproportionate Share

Rebecca Troutman – provided information and guidance on Medicaid costs

## Introduction to Recommendations

North Carolina is currently the only state which requires its counties to pay a fixed percentage of all Medicaid expenditures. In addition, counties pay the full non-federal share of local Medicaid administrative costs, estimated at a county expense of \$86 million in 2007-08. While Medicaid is administered at the county level, counties have

little control over the program itself. This has created a disconnect between funding responsibility and authority.

Perhaps more significantly, ability to pay for Medicaid expenses differs widely between counties. Counties with slow growth and less economic development have a higher proportion of Medicaid enrollees and fewer resources with which to fund them. In three counties Medicaid expenditures exceed 30% of property tax revenue and in half Medicaid expenditure exceeds funding for school capital needs.

This situation is only likely to exacerbate in the coming years as Medicaid expenditures outstrip economic growth in general and dwarf economic growth in many rural counties.

Therefore, this committee recommends that the most pressing program responsibility need is for Medicaid expenditure to be transferred to the state. The committee also recommends that action should be taken to curb the overall growth of Medicaid costs and to obtain additional funding from Federal sources. In, addition the committee recommends that action be taken to align funding and authority in education and the administration of elections.

## Medicaid Takeover

The subcommittee recommends that the state assume responsibility for the county share of Medicaid. As the state identifies the funding stream to assume the county share, it should immediately retain at its expense the cap on county Medicaid costs at the 2005-06 level and provide with its revenues additional targeted relief to those counties hardest hit by their Medicaid burden.

The subcommittee believes that this is critically important for several reasons.

- The current county share of Medicaid is a crippling responsibility in many counties, which crowds out efforts at education and economic development. Without investment in education and economic development there is little chance that these counties will be able to sustain and improve their quality of life and community opportunities.
- The costs for Medicaid are growing rapidly and each year more county budgets will become crippled by rising costs.
- Counties for which Medicaid is a relatively small expenditure are typically high growth counties that could use the relief of Medicaid to fund critical infrastructure needs

The subcommittee is aware that county Medicaid relief will impose increase costs on the state and recommends that the Full Committee adopt a funding source whose growth is commensurate with the growth in Medicaid expenditures. In addition the subcommittee recommends that the Full Committee adopt long range cost control measures described below.

## Medicaid Cost Controls

In the long term Medicaid costs are best controlled by the implementation of wellness practices on the part of the residents of North Carolina. The subcommittee recognizes that even modest amounts of increased exercise, weight loss and smoking cessation will lead to dramatic decreases in the long run costs associated with Medicaid.

The subcommittee therefore recommends that the following steps be taken towards development of a wellness strategy for North Carolina:

- Pilot programs be created or expanded in the following areas:
  - Both positive and negative incentives for undergoing a wellness evaluation and then adhering to the health guidelines based on that evaluation
  - Wellness and Fitness programs in schools
  - Community Care and Prescription Management programs to ensure that patients are properly following their treatment regimen
- Leveraging of existing programs for state employees and bridging them to Medicaid
- Screening for long term health issues at the county level when an individual first applies for Medicaid in a effort to determine which individuals are most in need of early care

In addition the subcommittee recommends:

- Pilot programs for Medicaid HMOs
- The collection and dissemination of best practices for health management among the 100 counties
- Exploration into additional fees for smoking
- Exploration into federal matching for out patient prisoner care.

Lastly, while the subcommittee recognizes that North Carolina has relatively high reimbursement rates when compared to neighboring states the subcommittee recommends that the state explore measures to improve results rather than limit reimbursements. To that end the subcommittee recommends

- Leveraging and expanding pay for performance programs
- Linking benchmark care standards to be developed by the Governor's office to reimbursement rates

## Other Programs

While the subcommittee did not have sufficient time to investigate all programs thoroughly it did identify several areas of concern and recommends further investigation into

- County funding of state responsibilities for school operating expenses for k-12

- State funding for continuing costs at Community Colleges
- The reduction in the number of school districts to no more than one per county and potentially less
- Resource sharing between counties for jails, courthouses and schools
- Reexamination of historical formulas for mental health funds
- Reexamination of formulas for transportation investments

In addition the subcommittee believes that the funding and authority for local elections officials be re-examined. Currently personal are employed by the county but report to state officials. The subcommittee recommends that either the official be put under the authority of county governments or the funding responsibility be transferred to the state.

## Local Revenue Options

Lastly the committee recommends an expansion of the revenue options available to counties. Counties which have the resources and the desire to expand services should be allowed to levy the funds to do so.

As a basic principle any revenue source that is currently available to some counties should be available to all counties. This includes but is not limited to:

- Sales tax option for transit
- Occupancy tax
- Impact fees
- Land transfer fees
- Prepared food tax